

What a Year!: North Carolina Also Got That Sinking Feeling

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Article:

Most of the big economic stories in 2008 were national in scope. But a few state and local stories made headlines.

North Carolina in recession

For months, employment declines in North Carolina trailed national declines. But in November we caught up to the rest of the country, and then some. State payrolls fell 1.1 percent in that month alone, which was huge. The number of unemployed people in the state shot up 11 percent in one month, causing the state's unemployment rate to jump to 7.9 percent. We haven't seen a monthly unemployment rate that high in 25 years.

It appears that the recession hit North Carolina a bit later than the national economy, partly because our ongoing economic transformation eliminated the most vulnerable manufacturing jobs before they could be lost this year. The data bear this out: manufacturing employment has fallen less in 2008 than during the 2001 recession.

The big question for 2009 is whether the delayed onset of recession in North Carolina means a shorter downturn, or a delayed recovery.

The Triad paradox?

The delay was even longer in the Triad. According to seasonally adjusted figures compiled by my colleague, Don Jud, Triad employment increased for most of this year and didn't peak until August. Since the beginning of the national recession, employment in the Triad is actually up 0.8 percent. That won't last, but it is strange. During the 2001 recession, Triad employment fell 3.2 percent.

It's not just employment. Jud's Triad Business Index, which takes into account other indicators such as retail sales and construction data, didn't start declining until October. If you'd like to know what the November TB I will say about the Triad economy, be sure to check the next release of the index at <http://cber.uncg.edu> (no "www") on January 7.

San Francisco strikes back?

The heart of the Charlotte economy took a hit this year, as Wachovia, itself mired in losses from mortgage-backed securities, was acquired by San Francisco-based Wells Fargo. The deal came after a long tug-of-war between Citigroup and Wells Fargo. Citigroup's plan to buy Wachovia was promoted by the federal government, but it would have meant big changes for Wachovia given the overlap between the two banks' service regions. The acquisition by Wells Fargo may cost the Charlotte economy 1,000 jobs, but that's just a fraction of the number that would have been lost had the Citigroup deal gone through.

Not only does the deal save Wachovia and give it a rock-solid partner, but it involves a strange symmetry. Ten years ago, Charlotte-based NationsBank acquired San Francisco-based BankAmerica and renamed itself Bank of America.

Smithfield union

In a vote that went against the South's anti-union tradition, workers at Smithfield Packing in Tar Heel, the largest hog-processing plant in the world, voted this month to certify a union. Smithfield and the union have been fighting tooth and nail since the plant opened 16 years ago. Two votes that the union lost in the 1990s were ruled by a federal court in 2006 to have been unfairly influenced by Smithfield, which has paid over \$1 million in back pay to workers it fired for union organizing. It's unlikely that a wave of pro-union activities will suddenly sweep across North Carolina, but the Smithfield vote has certainly encouraged labor activists.

New neighbors

Even in a recession, companies locate and relocate. The Triad's transport-logistics cluster was given a boost by two high-profile sitings. In August, Mack Trucks announced that it would move its headquarters and testing center to Greensboro, bringing as many as 600 jobs. In November, FedEx Ground announced that it would build a distribution center in Kernersville and create nearly 500 jobs.

Then this month, Precor, a maker of fitness equipment, announced that it will locate a new divisional headquarters and manufacturing facility in eastern Guilford County, creating nearly 150 jobs. The eastern part of the county will also be home to a new auto-parts distribution facility for O'Reilly Automotive, employing over 350 workers.

2009

The new year is likely to be rough. But if the consensus of forecasters is accurate, the new year will also bring us the start of the next economic expansion. That's the good news about recessions: they always end.